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C O N F I D E N T I A L SECTION 01 OF 03 SHANGHAI 000578

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SUBJECT: KMT-CCP TALKS: VIEWS OF SHANGHAI ACADEMICS

REF: A) 08 TAIPEI 1759; B) 08 TAIPEI 1778

CLASSIFIED BY: Simon Schuchat, Deputy Principal Officer, U.S.  
Consulate, Shanghai, U.S. Department of State.  
REASON: 1.4 (b), (d)

11. (C) Summary: Poloff spoke with several Shanghai academics about the 4th annual KMT-CCP forum which took place in Shanghai December 20-21. One academic who participated in the forum said the talks proceeded "smoothly" and "without big surprises." The forum focused on enhancing cross-Straits economic cooperation, producing several joint recommendations which, our interlocutors emphasized, are non-binding and may face difficulty gaining official approval in Taiwan. The academics believe the forum's recommendations laid the groundwork for the next round of SEF-ARATS talks. Forum participants expressed a desire to eventually move the forum "beyond party-to-party" dialogue and make it more inclusive, though the academics doubt Taiwan's pro-independence parties will join future talks. There was almost no discussion of Taiwan's "international space" at the forum. Though the forum helped maintain the positive momentum of cross-Straits relations, the academics echoed widely-heard complaints in the Mainland that Beijing has done much to help Taiwan with very little in return. End summary.

#### Participants

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12. (C) According to Yan Anlin, Senior Fellow at the Shanghai Institutes for International Studies (SIIS), there were over 400 participants at the 4th annual KMT-CCP forum, which took place in Shanghai December 20-21. Yan, who participated in the forum, described this as a significant increase from the previous meeting, which had 300 participants. Yan noted there were more government officials from both sides compared to previous forums. There were 20 "high-level" officials from various Mainland government departments, including the National Development and Reform Commission, the State-Owned Assets Supervision and Administration Commission, and the China Banking Regulatory Commission, according to Yan. From the Taiwan side there were five officials, including Council for Economic Planning and Development Vice Chairman San Gee, as well as officials from the Ministry of Transportation and Communications and Ministry of Economic Affairs. Yan said the Taiwan officials

were invited as "special guests" and traveled to the Mainland in their private capacity "using personal leave."

13. (C) Businesspeople constituted the bulk of participants, said Yan. He observed that, compared with the last meeting, there were more representatives from Mainland banks and fewer representatives from airline and shipping companies. Yan thinks this is because the SEF-ARATS talks in November had already established direct air and shipping links, so the focus of this meeting was more on financial and investment issues. Many owners of Taiwan businesses in the Mainland, particularly small and medium-sized enterprises (SMEs), also attended the meeting as well as representatives of several branches of the Taiwan Compatriot Investment Enterprises Association (Taixiehui), a trade association with branches in many major cities across China representing the interests of Taiwan companies operating in the Mainland. Yan said the Taiwan businesspeople were very active in the talks. Academics were the "third tier" of participants, about 20 from the Mainland and 8 from Taiwan, said Yan.

Lien Chan Passing the Baton?

14. (C) Yan said the forum proceeded "smoothly" and "without any big surprises." He said Politburo Standing Committee member Jia Qinglin gave an opening speech for the Mainland side, while the Taiwan side had two opening speeches, one by KMT Chairman Wu Poh-hsiung and another by KMT Honorary Chairman Lien Chan. Yan thinks it was clear that Wu was the leader of the Taiwan delegation, as he led the discussions. (Note: Lien Chan led the Taiwan delegation at previous KMT-CCP forums. End note.) Yan noted that during the closing ceremony on December 21, Jia and Wu gave closing speeches but Lien left without giving a speech.

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Yan saw this as a sign that Lien was "passing the baton."

9 Joint Recommendations, 10 Measures

15. (C) The forum, which focused on financial and investment issues, produced 9 joint recommendations, including enhancing cooperation amid the global economic crisis, promoting cross-Straits financial cooperation, expanding domestic consumption and infrastructure development, strengthening cross-Straits industry and service sector cooperation, enhancing the protection of investment rights, and normalizing cross-Straits economic ties. Wang Yi, Chairman of the Mainland's Taiwan Affairs Office (TAO), also announced 10 measures to be implemented unilaterally by the Mainland, including supporting Mainland-based Taiwan enterprises, encouraging cross-Straits investment, expanding the sale of Taiwan's agricultural products in the Mainland, and allowing Taiwan residents with appropriate licenses to practice law in the Mainland. Under the 10 measures, the Mainland also promised 130 billion RMB (USD 19 billion) in loans to Taiwan businesses, particularly SMEs, operating in the Mainland. According to Hu Lingwei, Research Fellow at the Shanghai Institute for East Asian Studies, these loans will be provided by the Bank of China, China Development Bank, and Industrial and Commercial Bank of China. Yan said representatives from Taiwan businesses enthusiastically welcomed this announcement.

Just Recommendations, Nothing Official

16. (C) Both Hu Lingwei and Yan Anlin emphasized that the joint recommendations are non-binding since the talks were "between parties and not between the governments" of both sides. Nothing official can be signed at these talks, said Yan. Though the Mainland side will have little trouble implementing the 9 recommendations and 10 measures since the CCP controls the Chinese Government, Yan believes it will be more difficult for the Taiwan side to implement all the recommendations because there is separation between party and government. The recommendations must undergo scrutiny from various government entities and political parties in Taiwan, said Yan. Wu Xinbo,

Deputy Director of the Center for American Studies at Fudan University, thinks the proposals from this meeting, however, will carry more weight in Taiwan compared with proposals from previous talks since the KMT is currently in power. Although Yan does not think Taiwan President Ma Ying-jeou will "accept" all the recommendations due to domestic political considerations, Ma will probably push forward most of them, Yan said.

#### Laying the Groundwork for SEF-ARATS

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17. (C) Yan Anlin and Hu Lingwei think the joint recommendations will take some time to implement since they must be officially approved and signed by SEF and ARATS, the bodies specifically tasked with handling cross-Straits negotiations. Yan stressed that the KMT-CCP forum "cannot replace" the SEF-ARATS dialogue but can serve as a "second track" dialogue, complementing and laying the foundations for future SEF-ARATS talks. Wu Xinbo said the purpose of the KMT-CCP forum was not to make any decisions, but to "throw ideas onto the table and test the reaction from the outside." Yan said that, for now, both sides will deliver the recommendations to their respective capitals and, using the recommendations as a basis, spend several months preparing the groundwork for the next SEF-ARATS talks in 2009.

#### Moving Beyond Party-to-Party Talks

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18. (C) According to Yan Anlin, the participants expressed a desire to eventually move the forum "beyond party-to-party" dialogue and make it more inclusive and representative of various interest groups. The participation of many non-KMT delegates from Taiwan was a move in the right direction, said Yan. Both Yan and Hu Lingwei noted the absence of Democratic Progressive Party (DPP) and Taiwan Solidarity Union (TSU) representatives at the forum. The DPP and TSU were invited but did not participate as they feel cross-Straits relations are

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progressing too quickly, said both scholars. Future talks will focus on including the DPP and TSU, but prospects for their participation are very dim, said Yan. Yan also mentioned there was discussion of creating something similar to the U.S.-China Strategic Economic Dialogue (SED) between the Mainland and Taiwan, but that the idea is "just being talked about" now with nothing concrete in the works.

#### Little Mention of International Space

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19. (C) Yan Anlin said there was very little mention of the international space issue at the forum. One Taiwan scholar raised the issue during a session, he said, but there was no further discussion as other participants felt it was not the right time to discuss the issue. There was no discussion of the issue on the sidelines, according to Yan. Hu Lingwei believes now is not the right time to discuss this but that both sides can look at it on a case by case basis. For example, Hu is optimistic that Taiwan will be allowed to participate in the World Health Assembly (WHA) in May 2009 but thinks any discussion of the broader parameters of Taiwan's participation in international space should be left for the future.

#### Comment

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110. (C) The scholars were generally positive about the recent KMT-CCP forum, saying it helped maintain the positive momentum of cross-Straits relations. However, they see little tangible benefits for Mainland businesses. Hu Lingwei said "the Chinese Government is doing much to help Taiwan businesses, but they should be doing more to help Chinese (Mainland) businesses." Despite talk of promoting cross-Straits investment, Hu does not think many Mainland firms will invest in Taiwan, deterred by Taiwan's high costs. Yan Anlin similarly thinks there will be "very limited benefit" for Mainland businesses, at least in the near future, and very few will invest in Taiwan because of Taiwan's "strict regulations and restrictions" on investment. Wu Xinbo also said recent cross-Straits talks have been a "one

way process, with the Mainland delivering more to Taiwan."  
These comments are generally in line with what we have heard  
from other East China contacts, namely, that the Mainland has  
been giving much to Taiwan with very little in return.  
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